

SECRETARY OF LABOR
WASHINGTON, D.C. 20210

FEB - 1 2013

The Honorable Barbara A. Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairwoman Mikulski:

Thank you for your letter expressing your concern about the impacts of sequestration on operations within the Department of Labor. In the initial planning process, we have made every effort to protect the mission of the Department and of each agency. We maintain our commitment to investing in long-term economic success through worker training; protecting the wages, health and safety of our workers; protecting the security of pension, health and other employee benefits; and supporting our veterans. Nonetheless, with such dramatic, across-the-board cuts as would be required by a sequestration order if Congress does not act, we will not be able to provide the same level of service to the American people. As a great deal of the Department's funding goes directly to the state and local areas to cover program and administrative costs, we also expect the quality and level of state and locally-delivered services to erode and anticipate the state and local areas to experience staffing reductions across the country.

Training and Employment Programs

The Employment and Training Administration (ETA) plays a critical role in the Nation's economic recovery. The Workforce Investment Act (WIA) formula funds and Wagner-Peyser Employment Service formula funds provide grants to states to provide an array of employment and training services at the state and local levels, which are delivered through the American Job Centers (AJC). The millions of dollars in reductions to these funds will lead to several hundred thousand fewer participants served. These funds help dislocated workers, low-skilled adult workers, and disadvantaged youth find jobs. Though we cannot predict the immediate impact of the proposed reductions on the 2,767 American Job Centers, it is clear that cuts will reduce the number of access sites for workers in need of assistance. As states will be pushed to reduce administrative costs rather than program costs, staffing at state and local levels will be reduced, though precise figures cannot be known until we begin modifying state grant agreements to accommodate the funding reductions. Although ETA will protect National Emergency Grant (NEG) funding to respond to natural disasters, regular NEG funding will be adversely impacted, further eroding services available for dislocated workers. In the formula programs under WIA, coupled with the Employment Service, we estimate that more than one million fewer participants will receive services needed to find or prepare for a new job. In its competitive grant programs for underserved and vulnerable populations, ETA will have to reduce either the number of competitive grants or the amount of money provided in formula grants, which will have a

deleterious effect on populations served by both the grants and the WIA system by allowing fewer participants into these important programs.

The Office of Job Corps (OJC) provides thousands of low-income youth with academic and vocational training that will help them secure a job, pursue more education or training, or join the military. The serious funding issues that Job Corps is already experiencing in the current year would be exacerbated under sequestration. Under sequestration, OJC will have to either permanently close more than the few low-performing centers it had planned to close in program year 2013 or close all centers for a significant portion of program year 2013 to meet the reduced funding level. In addition, construction on all new centers will cease.

Economists and the Congressional Budget Office predict that there will be an increase in unemployment if sequestration occurs. Sequestration will also reduce States' ability to assist newly unemployed workers in their search for employment and could impact the integrity of the Unemployment Insurance (UI) program. Inadequate funding for state administration of UI programs could lead to state layoffs, an increased number of improper payments, backlogs of appeals, and slower processing of claims. In addition, the automatic cuts to the Employment Service Grants to States will reduce the number of workers served at the AJCs through WIA and Wagner- Peyser funds by more than one million.

For the long-term unemployed, more than 3.8 million people receiving Emergency Unemployment Compensation benefits will see their benefits reduced by as much as 9.4 percent. Affected long-term unemployed individuals would lose an average of more than \$400 in benefits that they and their families count on while they search for another job. Smaller unemployment checks will also have a negative impact on the economy as a whole. Economists have estimated that every dollar in unemployment benefits generates \$2 in economic activity. Reemployment and Eligibility Assessments (REAs) would also be reduced, further hampering support for individuals searching for new employment. REAs save money by helping beneficiaries exit the Unemployment Insurance program more quickly.

The Veterans Employment and Training Services is the agency charged with fulfilling the President's promise that the men and women who fight for us on the front lines should not have to fight for a job when they return home. Yet under sequestration, the Transition Assistance Program which serves over 150,000 veterans a year may have to reduce operations – leaving thousands of transitioning veterans unserved. The Jobs for Veterans State Grants Program will also experience cuts, translating to a reduction in the capacity to serve by tens of thousands fewer veterans in their efforts to find civilian employment. The National Veterans' Training Institute and Homeless Veterans Reintegration Program would also be reduced, further eroding the tailored services the Department can provide to veterans.

Worker Protection Programs

The impacts of sequestration will also be felt in other ways affecting our nation's workforce. The Department's agencies that promote workplace safety will experience furloughs in order to absorb the funding reductions under sequestration. The Occupational Safety and Health Administration (OSHA) will protect its highest priority activities but still roughly 1,200 fewer

programmed inspections of the most dangerous workplaces will occur. This reduction could lead to an increase in worker fatalities and injuries. States, which enforce the law in over half of the states, will also have to furlough inspectors, and an even larger reduction in the number of inspections in State Plan States is expected.

The Mine Safety and Health Administration (MSHA) will adjust funding to complete 100% of its mandatory Coal inspections, but it will likely not be able to do the same for the mandatory Metal Nonmetal mine inspections. In addition, many of the most effective activities that have caught grave workplace conditions – impact inspections, technical investigations, respirable coal mine dust inspections, and accident prevention investigations – will be significantly reduced, potentially leading to an increase in the fatality and injury rate among miners. The Department remains committed to implementing the recommendations from the Internal Review of MSHA's actions at the Upper Big Branch mine, but progress on this will have to be delayed. Both MSHA and the Office of the Solicitor (SOL) will have to scale back work on the Federal Mine Safety and Health Review Commission backlog project, which will likely increase the backlog of current contested cases.

The sequestration order will clearly have a negative impact on the Wage and Hour Division's (WHD) efforts to protect the most vulnerable workers in the workplace. WHD will see a reduction in the number of investigations its investigators will be able to complete. Without the ability to maintain full staffing levels in the face of higher attrition rates it is not possible to prevent WHD's overall production and output results from declining. Under a sequestration order, WHD can expect a contraction in the number of compliance actions, primarily in the complaint-based program due to a continued reduction in investigative staff. The agency's complaint response times will increase, and backlogs will build. These consequences directly affect the agency's customer service goals and certainly impact the welfare of those individuals who have requested the agency's services and who, absent the sequestration, would likely be served.

In other worker protection agencies, the Employee Benefits Security Administration is facing millions in reductions, and will complete many fewer civil and criminal investigations as well as see a significant reduction in monetary results for workers. The Office of Labor Management Standards will be forced to reduce the number of Compliance Audit Program cases and criminal cases and increase the election case resolution time. In the Office of Workers' Compensation Programs (OWCP), injured employees and their families who rely on the benefits provided by the Federal Employees' Compensation Act and other workers' compensation programs would have to wait additional time for their claims to be processed.

Other Agencies

The Bureau of Labor Statistics (BLS) is the principal Federal agency responsible for measuring labor market activity, working conditions, and price changes in the economy and its work informs and supports public and private decision-making. With millions in reductions, BLS would have to eliminate or reduce some of its programs.

Additionally, the Bureau of International Labor Affairs will have to reduce its grants for child labor and trade-related workers' rights projects. The Office of Disability Employment Policy (ODEP) will be forced to reduce research, policy and effective practice development and technical assistance initiatives that promote the integration of workers with disabilities into the workforce. The Office of Inspector General will have to cut audits and investigations that limit fraud, waste, and abuse in Department of Labor programs.

While the issues above illustrate the main impact of sequestration on the major Department of Labor programs, they do not reflect the impact on the support agencies or the impact on employee morale. These issues will also negatively impact the effectiveness of the Department's service to citizens and stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Seth D. Harris", with a stylized flourish at the end.

SETH D. HARRIS
Acting Secretary of Labor